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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 004096

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SUBJECT: RULING DPP AND OPPOSITION KMT SPLIT KEY MAYORAL
ELECTIONS IN KAOHSIUNG AND TAIPEI

REF: TAIPEI 4090

Classified By: AIT Director Stephen M. Young, Reasons: 1.4 (b/d)

¶1. (C) Summary: In key mayoral elections on December 9, the ruling DPP narrowly retained control of its southern base, Kaohsiung, and the opposition KMT kept control of Taipei as expected. Although Frank Hsieh lost the election in Taipei, his stronger than expected 41 percent showing boosts his competitiveness as a potential DPP presidential candidate in ¶2008. The DPP victory in Kaohsiung, coupled with Hsieh's strong showing, significantly eases the political pressure on the party and President Chen Shui-bian resulting from a series of corruption scandals. By contrast, KMT Chairman Ma Ying-jeou, who campaigned heavily in Kaohsiung, has been damaged by the party's failure to win a major election in southern Taiwan. Some political observers are now questioning whether Ma can attract the Taiwanese votes from southern Taiwan that he would need to win the presidency in ¶2008. PFP Chairman James Soong, whose 4 percent showing reflected strategic voting in Taipei, announced his retirement from Taiwan politics on election night. The weak showing by third parties suggests some consolidation of a two party system in Taiwan's still immature, but nonetheless vibrant young democracy. End Summary.

Taipei

¶2. (C) In Taipei, KMT candidate Hau Lung-bin won 54 percent of the votes, the DPP's Frank Hsieh 41 percent, and PFP Chairman James Soong (running as an independent) just 4 percent. Voter turnout was a relatively low 65 percent. Pan-Blue supporters voted strategically, deserting James Soong and casting their ballots for Hau Lung-bin, who ended up with a respectable 54 percent. Including James Soong and Lee Ao, the total pan-Blue mayoral votes were 59 percent, down 5 percent from the exceptionally high vote total received by Ma Ying-jeou when he ran for reelection in 2002. Several of AIT's contacts had predicted that the corruption scandals surrounding President Chen would make it difficult for Frank Hsieh to reach the 36 percent mark registered by DPP candidate Lee Ying-yuan in 2002. Hsieh's winning 41 percent of the votes is regarded as a strong showing that will boost his ability to compete for the DPP's 2008

presidential nomination.

Kaohsiung

13. (C) The 68 percent voter turnout in Kaohsiung was slightly lower than expected. DPP candidate Chen Chu won 49.41 percent of the votes, and KMT candidate Huang Chun-ying 49.27 percent. Pan-Green supporters voted strategically, deserting Taiwan Solidarity Union (TSU) candidate Lo Chih-ming for the DPP's Chen Chu, who won a razor-thin victory over Huang Chun-ying by a margin of just 1,114 votes.

Holding onto core DPP supporters, Chen Chu came in just 7,000 votes short of the mark reached by Frank Hsieh in his successful reelection effort in 2002. Gaining only 0.86 percent of the vote, Lo did not draw off enough pan-Green supporters from Chen to affect the election. In his second bid for the mayor's seat, Huang Chun-ying improved on his 2002 performance by only 17,000 votes despite a political atmosphere that many had characterized as highly favorable to the KMT. According to KMT contacts, an important factor in the defeat was the party's inability to persuade swing voters to turn out on election day.

Challenging the Results in Kaohsiung

14. (C) Huang Chun-ying has begun the process of contesting the Kaohsiung election results, and all ballots have been impounded. If Huang follows through and files suit within 15 days after the official election results are announced on December 15, the district court will decide whether or not to

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conduct a vote recount. Huang may hope that a reexamination of the 6,622 votes that were declared invalid may put him over the top. The court has up to six months to adjudicate legal challenges to the election, followed by a six month appeal period. (Note: A simple recount could be done more quickly. End Note.) In addition to allegations of voting irregularities, the KMT has also expressed outrage over last minute DPP public charges that the KMT was engaged in vote buying.

Explaining the Elections

15. (C) Observers here are searching for explanations as to why the KMT did worse and the DPP better than expected in these elections. Many observers had expected the scandals surrounding President Chen to significantly depress the DPP voting rate, as happened in the December 2005 local elections. This time around, however, enough DPP supporters turned out to win Kaohsiung and make a strong showing in Taipei. Political commentators are offering a variety of theories about the surprising results. Most generally, some observers are suggesting that the KMT went overboard with its negative campaign against President Chen and the DPP, a perception that was reinforced by Shih Ming-te's "Depose Chen" movement. Other than vitriol and its desire to return to power, the KMT did not offer a positive political agenda. Over-the-top KMT attacks on the DPP backfired, with DPP supporters rallying around rather than deserting their party.

Second, the DPP fielded stronger candidates and ran more effective campaigns, especially in Kaohsiung where the difference proved critical. Ma Ying-jeou's campaign style simply did not work in Kaohsiung. He did not speak in Taiwanese at rallies and he did not interact warmly with the public or local political leaders. Television reports showed Ma, with a frozen grimace, shaking as many hands as possible, with an aide following behind carefully recording the number of Ma's handshakes.

Implications for the DPP . . .

16. (C) In their public appearances, President Chen and most other DPP leaders have shown their pleasure with the election results. Party morale has been restored following a long period of being in a depressed mood and defensive posture, and the existing power structure within the DPP has been reinforced. The elections serve to strengthen unity and for now also to mute reform minded critics, who were increasingly vocal after the corruption indictment of First Lady Wu Shu-chen, which also implicated President Chen. Chen is in a stronger position politically. Nonetheless, he is not out of the woods as the trial of First Lady Wu Shu-chen is scheduled to open on December 15. If Wu is convicted of corruption after a possibly lengthy trial in the court of first instance, Chen has pledged to step down.

17. (C) Party Chairman Yu Shyi-kun and Premier Su Tseng-chang will remain in their current positions. Su will have flexibility to decide the opportune time to step down to launch his presidential campaign. Frank Hsieh's strong showing in Taipei boosts his presidential prospects; Su and Hsieh are now clearly the front-runners for the DPP presidential nomination. While the DPP successes also help party Chairman Yu Shyi-kun, another potential presidential or vice presidential candidate, current Vice President Annette Lu played only a minor role in the elections and her future prospects, low to begin with, do not appear to have been helped. The DPP, which had been considering deciding its presidential candidate early, now has more flexibility. Ideas that have been floated such as forming a third force in Taiwan politics or appointing a KMT premier such as Legislative Yuan (LY) President Wang Jin-pyng will presumably go by the wayside. From the DPP standpoint, one of the most important results of the elections is that Ma Ying-jeou appears increasingly vulnerable in the 2008 presidential election.

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. . . and the KMT

18. (C) The defeat in Kaohsiung weakens KMT Chairman Ma Ying-jeou, raising fresh doubts about his judgment and effectiveness as a party leader and questions about whether he can attract enough Taiwanese votes in southern Taiwan to win the 2008 presidential election. Criticisms and differences within the KMT are likely to increase, which could increase the leverage of ethnic Taiwanese politicians such as Wang Jin-pyng. Some observers are suggesting that Ma, now freed from Taipei mayoral duties, should spend more time in southern Taiwan to strengthen understanding and rapport with the Taiwanese people and politicians of the region. There have also been suggestions that Ma will need to select a strong ethnic Taiwanese running mate to be competitive in 2008. Eric Chu, the well respected KMT magistrate of Taoyuan County, observed during a television talk show, that the KMT has been promoting only two themes: Ma Ying-jeou and integrity. Integrity is only the most basic standard, however. What the party really needs is to prove it can do an effective job in governing. Chu faulted his party on three counts. The KMT has not followed through on promised internal reforms, its legislative caucus has been obstructionist rather than setting a positive legislative agenda, and the KMT has not laid out a vision for Taiwan's future role in East Asia.

Small Parties Face Bleak Future

19. (C) Poor showings by PFP candidate James Soong in Taipei and TSU candidate Lo Chih-ming in Kaohsiung suggest that third parties may find it increasingly difficult to compete in what appears to be an emerging essentially two-party political system in Taiwan. Immediately after suffering a crushing defeat in Taipei, James Soong announced his withdrawal from politics, surprising supporters and leaving

the PFP scrambling to fill the party chairman position. Widely seen as a "one man party," the PFP is now headless and faces an uncertain future. PFP legislators and leaders are thinking of merging with the KMT if unable to persuade James Soong to reconsider his decision to retire from politics.

110. (U) This cable includes input from AIT/K.

YOUNG